

**GRAND COUNTY WATER CONSERVANCY DISTRICT**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

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### INDEPENDENT AUDITORS' REPORT

Board of Directors  
Grand County Water Conservancy District  
Moab, Utah 84532

We have audited the accompanying financial statements of the governmental activities of Grand County Water Conservancy District, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grand County Water Conservancy District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Grand County Water Conservancy District, as of December 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, and Budgetary Comparison information, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Governmental Auditing Standards, we have also issued a report dated March 6, 2007 on our consideration of Grand County Water Conservancy District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Grand County Water Conservancy District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smuin, Rich & Marsing", is written over the printed name.

Price, Utah

March 6, 2007

**GRAND COUNTY WATER CONSERVANCY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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Our discussion and analysis of the Grand County Water Conservancy District's financial performance provides an overview of the District's financial activities for the year ending December 31, 2006. The report is in conjunction with the District's financial statements, which are a part of this report.

The purpose of the District is to provide water, both culinary and irrigation, to its customers. The revenues and the expenses for this water service are managed by Grand Water & Sewer Service Agency (GW&SSA). GW&SSA was put in place January 1, 1999 as an inter-local agency to manage the administration, maintenance and operation of our three Districts. The other two districts are: Grand County Special Service Water District and Spanish Valley Water & Sewer Improvement District.

**FINANCIAL HIGHLIGHTS**

- ❖ Capital assets decreased \$51,944 during 2006.
- ❖ During the year, the District retired \$111,558 of bond debt.
- ❖ The District's net assets increased \$71,194 as a result of this year's operations. This is a 4.8 percent increase in net assets as compared to the prior year.
- ❖ During the year, the District received an operating transfer of \$75,000 from Grand Water & Sewer Service Agency (GW&SSA) for the 2006 bond payments.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund Financial Statements start on page 14. These statements tell how these services were financed in the short term as well as what remains for future spending.

## REPORTING THE DISTRICT AS A WHOLE

The District realizes revenue from three main sources; property taxes, operating transfer from GW&SSA, and interest earnings. These funds are used to pay the principal and interest on their outstanding debt and for operating and maintaining the Mill Creek Project through GW&SSA.

The analysis of the District as a whole begins on page 12. The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps determine the District's financial picture as a result of this year's activities.

These two statements report the District's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the District's financial position. Increases or decreases in the District's net assets are an indicator of the financial position of the District. Other non-financial factors, such as changes in the District's property tax base and the condition of the District's Mill Creek Project, need to be considered to assess the health of the District.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUND

All of the District's services are reported in one governmental fund. Reporting focuses on how money flows into and out of this fund and the balance left at year-end that is available for spending. The fund is reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine financial resources available to be spent in the future to finance the District's programs. The District has one fund, the General Fund.

Most of the District's funding is provided through property taxes and an operating transfer from Grand Water & Sewer Service Agency (GW&SSA). The District Board determined several years ago that since most of the revenue is generated in property taxes, the proper fund classification for the District was governmental funds rather than proprietary funds, according to accounting standards.

## THE DISTRICT AS A TRUSTEE

The District does not hold any funds or property in a trustee capacity.

## THE DISTRICT AS A WHOLE

The net assets of the District were increased by \$71,194. The following analysis focuses on the net assets (table 1) and changes in net assets (table 2 & 3) of the District's governmental activities.

Net assets of the District are \$1,564,948. The Unrestricted Net Assets- the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is \$76,006.

The District's increase of \$71,194 in net assets indicates that the District is in a better financial position than the previous year.

# THE DISTRICT AS A WHOLE (Continued)

Table 1  
Net Assets

	2002	2003	2004	2005	2006	2005-2006 Net Changes
<b>Assets:</b>						
Current/noncurrent assets	\$ 175,387	\$ 470,073	\$ 378,195	\$ 379,265	\$ 389,414	\$ 10,149
Capital assets, net	2,149,108	4,265,813	3,245,951	3,194,007	3,142,063	(51,944)
<b>Total assets</b>	<b>\$ 2,324,495</b>	<b>\$ 4,735,886</b>	<b>\$ 3,624,146</b>	<b>\$ 3,573,272</b>	<b>\$ 3,531,477</b>	<b>\$ (41,795)</b>
<b>Liabilities:</b>						
Long-term debt outstanding	\$ 1,350,628	\$ 3,790,938	\$ 2,186,478	\$ 2,079,518	\$ 1,966,529	\$ (112,989)
<b>Total liabilities</b>	<b>\$ 1,350,628</b>	<b>\$ 3,790,938</b>	<b>\$ 2,186,478</b>	<b>\$ 2,079,518</b>	<b>\$ 1,966,529</b>	<b>\$ (112,989)</b>
<b>Net assets:</b>						
Investment in capital assets, net of debt	\$ 798,480	\$ 474,875	\$ 1,142,122	\$ 1,192,546	\$ 1,207,031	\$ 14,485
Restricted for:						
Debt service	57,250	228,166	179,627	260,057	281,911	21,854
Unrestricted	118,137	241,907	115,919	41,151	76,006	34,855
<b>Total net assets</b>	<b>\$ 973,867</b>	<b>\$ 944,948</b>	<b>\$ 1,437,668</b>	<b>\$ 1,493,754</b>	<b>\$ 1,564,948</b>	<b>\$ 71,194</b>

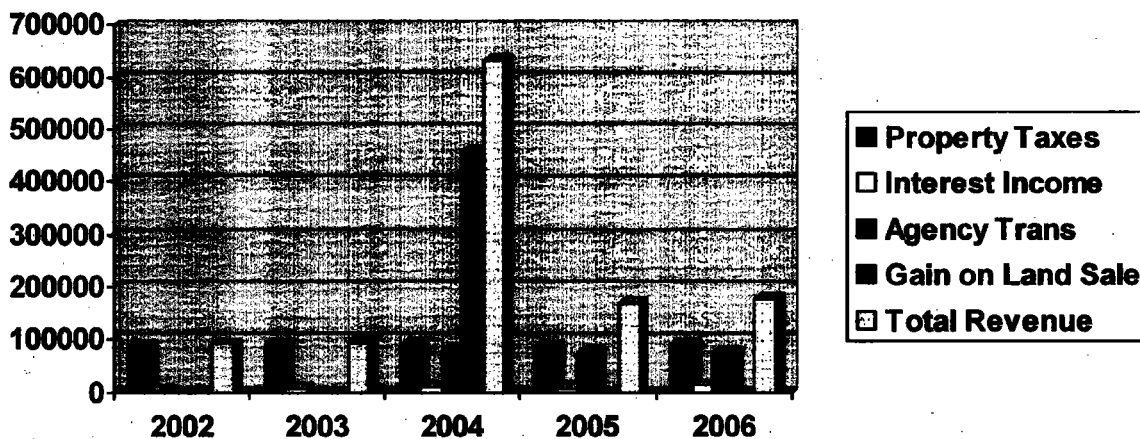


## CHANGES IN REVENUES

The District receives revenue from three sources: an operating transfer from GW&SSA, property taxes and interest earnings. Total revenues increased \$9,315 or 5.53 percent from the prior year.

**Table 2**  
**Changes in Revenues**

Revenues	2002	2003	2004	2005	2006	2005-2006 % Change
Property taxes	\$ 87,591	\$ 89,026	\$ 89,766	\$ 86,253	\$ 91,024	5.53%
Interest income	3,781	5,622	9,543	7,147	11,691	63.58%
Gain on sale of land			457,057			
Operating Transfer from Agency			77,500	75,000	75,000	0.00%
<b>Total Revenues</b>	<b>\$ 91,372</b>	<b>\$ 94,648</b>	<b>\$ 633,866</b>	<b>\$ 168,400</b>	<b>\$ 177,715</b>	<b>5.53%</b>



## CHANGES IN EXPENSES AND NET ASSETS

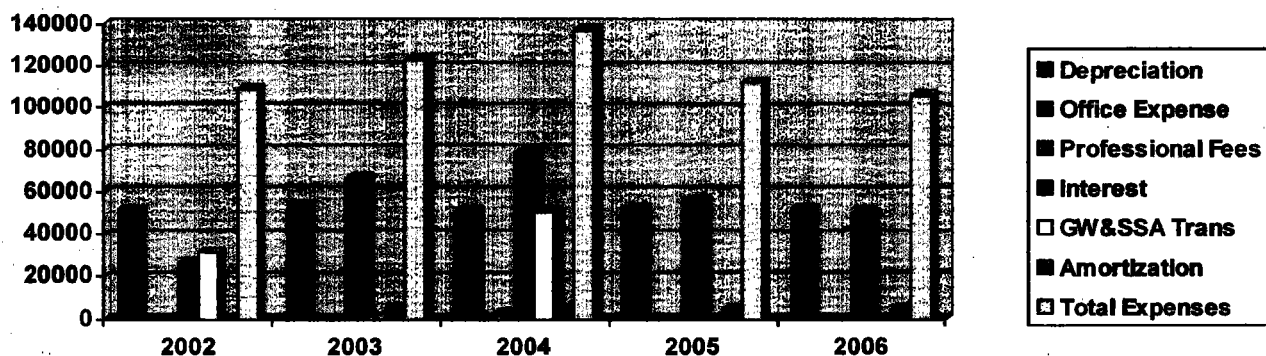
The District expenses include: Office expense, professional fees, debt interest payments, debt issuance cost amortization and depreciation. Total expenses decreased \$5,793 or 5.16 percent over the prior year.

Net assets increased \$125,194 or 123.2 percent over the prior year, see table 3 on the next page.

# STATEMENT OF EXPENSES & CHANGES IN NET ASSETS (Continued)

## Changes in Expenses and Net Assets

Expenses	2002	2003	2004	2005	2006	2005-2006 % Change
Office Expense			\$ 20	\$ 30		-100.00%
Professional Fees			3,000			
Interest on debt	\$ 26,670	\$ 66,560	79,082	55,748	\$ 49,986	-10.34%
Depreciation	51,234	52,415	50,513	51,944	51,944	0.00%
Amort. of issuance costs		4,592	4,592	4,592	4,591	-0.02%
Transfers to GW&SSA	31,479					
<b>Total expenses</b>	<b>\$ 109,383</b>	<b>\$ 123,567</b>	<b>\$ 137,207</b>	<b>\$ 112,314</b>	<b>\$ 106,521</b>	<b>-5.16%</b>
Net assets - beginning	\$ 991,878	\$ 973,867	\$ 944,948	\$ 1,437,668	\$ 1,493,754	3.90%
Prior period adjustment			(3,939)			
Net assets - ending	973,867	944,948	1,437,668	1,493,754	1,564,948	4.77%
<b>Change in net assets</b>	<b>\$ (18,011)</b>	<b>\$ (28,919)</b>	<b>\$ 492,720</b>	<b>\$ 56,086</b>	<b>\$ 71,194</b>	<b>26.94%</b>



## GOVERNMENTAL ACTIVITIES

Table 4 presents the District's net cost (total cost less revenue generated by activity). The net cost for all Governmental Activity was \$106,521. As shown in the Statement of Activities, the amount that our taxpayers financed for these activities through property taxes was \$91,024. This points out that the District relies heavily upon property taxes to finance its operations.

**Table 4**  
**Governmental Activities**

	Total Cost of Services 2005	Program Revenue 2005	Net Cost of Services 2005
<b>Primary government</b>			
Governmental activities:			
General Government	\$ 56,535		\$ 56,535
Interest on long-term debt	49,986		49,986
	<u>\$ 106,521</u>	<u>\$ ...</u>	<u>\$ 106,521</u>

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board revised the District Budget once. A final budget revision was made near the end of the year and was to prevent budget overruns and to reflect more closely revenues and expenditures during the year.

Following these adjustments, the actual expenditures were less than the final budgeted amounts by \$25. Actual resources available for appropriation (revenues) were \$6,535 above the final budgeted amount and operating transfers were \$0 above the final budgeted amount. (See table 5 on the next page).

# GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

**Table 5**  
**Budget vs. Actual**

	<u>2006 Actual</u>	<u>12/8/2005 2006 Budget</u>	<u>Amended 12/7/2006 2006 Budget</u>	<u>Actual vs Budget Variance</u>
<b>Revenues</b>				
Taxes	\$ 91,024	\$ 85,280	\$ 85,280	\$ (5,744)
Interest income	11,691	6,500	10,900	(791)
	<u>\$ 102,715</u>	<u>\$ 91,780</u>	<u>\$ 96,180</u>	<u>\$ (6,535)</u>
<b>Expenses</b>				
Public Improvements			\$ 25	\$ 25
Principal on debt	\$ 111,558	\$ 111,558	111,558	
Interest on debt	51,417	51,417	51,417	
	<u>\$ 162,975</u>	<u>\$ 162,975</u>	<u>\$ 163,000</u>	<u>\$ 25</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers	\$ 75,000	\$ 75,000	\$ 75,000	
	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ ...</u>

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

During 2006, the District's capital assets decreased \$51,944 due to infrastructure and equipment depreciating.

## CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

### Capital Assets (continued)

	2002	2003	2004	2005	2006
Land	\$ 207,876	\$ 1,274,854	\$ 309,444	\$ 309,444	\$ 309,444
Water stock and rights	175,967	1,178,533	1,178,533	1,178,533	1,178,533
Land improvements	1,931	1,665	1,400	1,134	869
Building/building improvements	15,861	15,056	14,252	13,449	12,645
Infrastructure	1,740,412	1,790,073	1,740,160	1,690,246	1,640,332
Equipment	7,062	5,632	2,162	1,201	240
Total	<u>\$ 2,149,109</u>	<u>\$ 4,265,813</u>	<u>\$ 3,245,951</u>	<u>\$ 3,194,007</u>	<u>\$ 3,142,063</u>

The District's 2006 budget does not call for any spending for capital projects. The Board and the Agency plan on investigating expanding the secondary irrigation system in 2007.

### Debt

At the year-end, the District had \$1,935,032, in general obligation bonds and notes outstanding, a decrease of \$111,558 or a decrease of 5.45 percent over the prior year.

**Table 7**  
**Outstanding Debt at Year-End**

	2002	2003	2004	2005	2006	2004-2005 % Change
Bonds payable	\$ 1,328,485	\$ 1,297,805	\$ 1,266,512	\$ 1,234,590	\$ 1,202,032	-5.09%
Notes payable		2,431,000	889,000	812,000	733,000	-17.55%
	<u>\$ 1,328,485</u>	<u>\$ 3,728,805</u>	<u>\$ 2,155,512</u>	<u>\$ 2,046,590</u>	<u>\$ 1,935,032</u>	-10.23%

## **ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES**

The District relies heavily on property taxes. It is anticipated that property taxes will increase slightly each year until 2018 when the District's general obligation bond will be paid off. Also the District receives operating revenues from the GW&SSA to aid in paying its revenue bond. The District knows of no other conditions that will significantly change its financial condition in the future.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Terry Sykes, Manager/Operator, Dan Pyatt, Chairman, Jerry McNeely, Vice Chairman, Brian Backus, Trustee, John Keys, Trustee, or Rex Tanner, Trustee at P.O. Box 1046, Moab, Utah 84532.

**GRAND COUNTY WATER CONSERVANCY DISTRICT**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2006**

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 34,037
Restricted cash and cash equivalents	235,309
Receivables:	
Taxes	46,602
Total current assets	<u>\$ 315,948</u>
Noncurrent assets:	
Bond issuance costs	\$ 73,466
Capital assets, net of accumulated depreciation	
Land	309,444
Water stock and rights	1,178,533
Improvement, other than buildings	869
Buildings	12,645
Equipment	240
Infrastructure	1,640,332
Total noncurrent assets	<u>\$ 3,215,529</u>
Total assets	<u>\$ 3,531,477</u>
<b>LIABILITIES</b>	
Current liabilities:	
Bond and loan interest payable	\$ 31,497
Current portion of long-term obligations	114,208
Total current liabilities	<u>\$ 145,705</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	\$ 1,820,824
Total liabilities	<u>\$ 1,966,529</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 1,207,031
Restricted for:	
Debt service	281,911
Unrestricted	76,006
Total net assets	<u>\$ 1,564,948</u>
Total liabilities and net assets	<u>\$ 3,531,477</u>

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY WATER CONSERVANCY DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
<b>Primary Government</b>				
Governmental activities:				
Highway and public improvements	\$ 56,535			\$ (56,535)
Interest on long-term debt	49,986			(49,986)
<b>Total governmental activities</b>	<b>\$ 106,521</b>	<b>\$ ...</b>	<b>\$ ...</b>	<b>\$ (106,521)</b>
<b>General Revenues:</b>				
Taxes:				
Property taxes, levied for general purposes				\$ 17,295
Property taxes, levied for debt service				73,729
Investment earnings				11,691
Operating transfer from other government				75,000
<b>Total general revenues, special items, and transfers</b>				<b>\$ 177,715</b>
<b>Change in net assets</b>				<b>\$ 71,194</b>
<b>Net assets - beginning</b>				<b>1,493,754</b>
<b>Net assets - ending</b>				<b>\$ 1,564,948</b>

"The accompanying notes are an integral part of this statement."



**GRAND COUNTY WATER CONSERVANCY DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

**TOTALS  
GOVERNMENTAL  
FUND TYPES**

**GENERAL**

**ASSETS**

Cash in banks	\$ 3,519
Investments - unrestricted	30,518
Investments - restricted	235,309
Property taxes receivable	46,602
	<hr/>
Total assets	\$ 315,948
	<hr/>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES:**

Total liabilities	\$ ...
	<hr/>

**FUND EQUITY:**

Fund balance-	
Designated	\$ 281,911
Undesignated	34,037
	<hr/>
Total fund equity	\$ 315,948
	<hr/>
Total liabilities and fund equity	\$ 315,948
	<hr/>

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY WATER CONSERVANCY DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2006**

Total fund balances - governmental fund types: \$ 315,948

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.

Land	\$ 309,444	
Water stock & rights	1,178,533	
Land improvements	869	
Buildings/building improvements	12,645	
Equipment	240	
Infrastructure	1,640,332	3,142,063

Bond issuance costs are reported as expenditures in the governmental funds.

The cost is \$91,833 and the related amortization is \$18,367. 73,466

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bond interest payable	\$ (20,155)	
Note interest payable	(11,342)	
G.O. bonds payable - current portion	(33,208)	
Notes payable - current portion	(81,000)	
G.O. bonds payable - > one year	(1,168,824)	
Notes payable - > one year	(652,000)	(1,966,529)

Net assets of government activities \$ 1,564,948

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY WATER CONSERVANCY DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	TOTALS GOVERNMENTAL FUND TYPES
	<u>GENERAL</u>
REVENUES:	
Taxes	\$ 91,024
Miscellaneous revenues	11,691
Total Revenues	<u>\$ 102,715</u>
EXPENDITURES:	
Debt service -	
Principal	\$ 111,558
Interest and fees	51,417
Total expenditures	<u>\$ 162,975</u>
Excess of revenues over (under) expenditures	<u>\$ (60,260)</u>
OTHER FINANCING SOURCES (USES):	
Operating transfers from other governments	<u>\$ 75,000</u>
Total other financing sources (uses)	<u>\$ 75,000</u>
Excess of revenues and sources over (under) expenditures and uses	\$ 14,740
FUND BALANCES, January 1	<u>301,208</u>
FUND BALANCES, December 31	<u><u>\$ 315,948</u></u>

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY WATER CONSERVANCY DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR FISCAL YEAR ENDED DECEMBER 31, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	14,740
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0) exceeded depreciation (\$51,944) in the current period.

The issuance of long-term debt (e.g., bonds) provide current financial resources to governmental funds, while the repayment of the principal of and interest of long-term debt consumes the current financial resources of governmental funds. In the Statement of Activities, principal payments on bonds are not recorded and interest expense is recognized as it accrues, regardless of when it is due. Also, governmental funds report the effect of issuances costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$	111,558	
Interest expense - debt		1,431	
Amortization of bond issuance costs		(4,591)	
		108,398	

Change in net assets of governmental activities	\$	71,194
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"The accompanying notes are an integral part of this statement."

**GRAND COUNTY WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**

The financial statements of Grand County Water Conservancy District has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, (as amended by GASB Statement No. 37) Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments. Certain significant changes in the Statement include the following:

- 1) The financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operation.

Financial statements prepared using full-accrual accounting for all the District's activities, including infrastructure assets (reservoirs, pipelines, etc.)

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

**A. Reporting Entity**

Grand County Water Conservancy District (referred to as the District hereafter) was organized under the State of Utah's Statute for Water Conservancy Districts and is a political subdivision of the State of Utah. The District is governed by a Board of Directors, appointed by the Governor of Utah, from nominees provided by the joint efforts of the governing bodies of Grand and San Juan County. The District includes areas located in Grand and San Juan Counties. The District provides the following services: water project (referred to as the Mill Creek Dam Project) that is used for the collection (reservoir) and distribution of water to residents and agriculture customers in Spanish Valley. The State of Utah and a separate special district – Grand County Special Service Water District – are also involved in the water project.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)**

The District is a legally separate entity that possesses the powers to set its own budget, incur debt, to sue and be sued, and to own and lease property. The Counties exercise no significant controlling powers over the District. As such, the District is not a component unit, as defined by the Governmental Accounting Standards Board in statement number 14 "The Financial Reporting Entity". Further, as defined in this statement, the District has no component units, which should be included in the accompanying financial statements. The District is mentioned in the footnote disclosures in the financial statements of Grand County as a related organization.

All financial activities over which the District has oversight responsibility are included in this report. The basis for inclusion or exclusion of other entities in the District's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of oversight responsibility; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. According to the above criteria, no other entities have been included in the District's financial statements.

**B. Government-Wide Financial Statements**

Generally accepted accounting principals (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. These government-wide financial statements are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The statement of net assets is the basic government-wide statement of position that presents all of the District's permanent accounts (assets, liabilities, and net assets).

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont)**

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The District reports the following major governmental funds:

The general fund is the District's only fund. It accounts for all financial resources of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources then unrestricted resources, as they are needed.

**D. Budgetary Data**

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is, estimated revenues and expenses must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Directors.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearings is published at least seven days prior to the meetings.
6. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Directors.
7. The Board of Directors considers the comments made by the public and makes final adjustments to the budget.
8. By December 15, the Board of Directors adopts the budget resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.
9. The budget may be amended to reflect changes in circumstances, which occur during the year.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)**

**E. Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investment in the Public Treasurers' Investment Fund (PTIF).

**F. Capital Assets**

Capital assets, which include land, water stock, buildings and improvements, furniture and equipment, and infrastructure assets (e.g., tunnels, drainage systems, water and sewer systems, and dams), are reported in the applicable governmental columns in the government-wide financial statements. The District defines Capital Assets as assets with an individual cost of \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, improvements, furniture and equipment and infrastructure assets of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 - 50
Improvements	10 - 40
Office furniture & equipment	3 - 20
Machinery and equipment	5 - 10
Automotive equipment	5 - 20
Infrastructure assets	15 - 100

**G. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets.

**H. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



## **2. DEPOSITS AND INVESTMENTS**

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

### *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2006, the District's bank balance of cash on deposit was \$3,519 of this amount \$3,519 was insured.

### **Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

## 2. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 265,827	\$ 265,827			
Total Investments	\$ 265,827	\$ 265,827	\$ ...	\$ ...	\$ ...

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At December 31, 2006, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			Unrated
		AAA	AA	A	
State of Utah Public Treasurer's Investment Fund	\$ 265,827				\$ 265,827
Total	\$ 265,827	\$ ...	\$ ...	\$ ...	\$ 265,827

2. **DEPOSITS AND INVESTMENTS (Continued)**

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, the District had \$265,827 invested in the Public Treasurer's Investment Fund and was held by them.

3. **RESTRICTED CASH**

In connection with bond agreements, the District has agreed to set aside money into sinking fund accounts. These funds are to assure that adequate money is available to service debt payments as they come due. The amount set aside in the sinking fund is equal to the amount of the principal and interest on the payment for the current year. In the current year, the District has set aside \$235,309 in the bond sinking fund account held in the State Public Treasurer's Investment Pool.

4. **PROPERTY TAXES**

The property tax revenue of the District is collected and distributed by the Grand, Emery and San Juan County Treasurers, as agents of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessments rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

As of December 31, 2006, property taxes receivable consists of 1) delinquent taxes assessed but uncollected for calendar year 2005 and earlier and 2) taxes assessed as of January 1, 2006, but are not due and payable until November 30, 2006. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

5. **CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 309,444			\$ 309,444
Water stock and rights	<u>1,178,533</u>			<u>1,178,533</u>
Total capital assets not being depreciated:	<u>\$ 1,487,977</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 1,487,977</u>
<b>Capital assets being depreciated:</b>				
Land improvements	\$ 3,438			\$ 3,438
Buildings	29,231			29,231
Machinery and equipment	13,756			13,756
Infrastructure	<u>2,819,875</u>			<u>2,819,875</u>
Total capital assets being depreciated:	<u>\$ 2,866,300</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 2,866,300</u>
<b>Less accumulated depreciation for:</b>				
Land improvements	\$ 2,304	\$ 265		\$ 2,569
Buildings	15,782	804		16,586
Machinery and equipment	12,555	961		13,516
Infrastructure	<u>1,129,629</u>	<u>49,914</u>		<u>1,179,543</u>
Total accumulated depreciation	<u>\$ 1,160,270</u>	<u>\$ 51,944</u>	<u>\$ ...</u>	<u>\$ 1,212,214</u>
Total capital assets being depreciation, net	<u>\$ 1,706,030</u>	<u>\$ (51,944)</u>	<u>\$ ...</u>	<u>\$ 1,654,086</u>
Governmental activities capital assets, net	<u>\$ 3,194,007</u>	<u>\$ (51,944)</u>	<u>\$ ...</u>	<u>\$ 3,142,063</u>

5. **CAPITAL ASSETS (Continued)**

Depreciation expense of \$51,944 was charged to highways and public improvements function.

6. **WATER STOCK AND RIGHTS**

Water Stock and Rights includes acquisition costs of various water rights and acquisition costs of shares of stock in Moab Irrigation Company, a local water management company. The District owns various water rights, including underground water rights, Colorado River water rights and Mill Creek water rights. The fair market value of these rights is not accurately determinable. The majority of these rights have been assigned to the State of Utah.

A private citizen contributed to the District a right to 30 acre-feet of water, effective December 1987. The right was valued at \$2,000 per acre/foot, for a total contribution of \$60,000. The same private citizen made a second contribution in December 1988 of 12 acre-feet valued at a total of \$26,000. The values are estimates made by the District.

In 2003, the District purchased approximately 431 acre/feet of municipal water rights. The estimated market value at time of purchase was \$1,002,566.

7. **IMPROVEMENTS OTHER THAN BUILDINGS**

Grand County Water Conservancy District is involved in the water project referred to as the Mill Creek Dam Project. This project constructed a collection system; a reservoir and distribution system to store and provide water to residents and agriculture customers in Spanish Valley. The State of Utah and a separate special district--Grand County Special Service Water District--are also involved in the project.

All construction activities were accounted for through the financial records of the Grand County Special Service Water District. However, upon completion of the major portion of the project, Grand County Water Conservancy District purchased from the State of Utah the State's equity in the project (\$1,938,999 at that time) using a long-term repayment plan over a thirty-three year period. An amount equaling the purchase price was transferred to Grand County Water Conservancy District as an asset referred to as the Mill Creek Dam Project, with an offsetting amount set up as a long-term liability. The indebtedness is general obligation debt.

The State of Utah will retain legal title to all water rights assigned to the State by the District pursuant to the contracts, and to all facilities obtained by project funds until Grand County Water Conservancy District has paid the full purchase price and Grand County Special Service Water District has retired its full bond issue. Grand County Water Conservancy District retains full management and operation power and responsibilities.

8. **LONG-TERM DEBT**

The District has a bond payable due to the State of Utah on the District's portion of the Mill Creek Dam Project. The prepayment schedule was renegotiated in 1989, resulting in extending the payments through the year 2018 and significantly changing the repayment timing. The total interest to be paid over the life of the contract (2.00% per annum) changed \$222. The note is general obligation debt.

8. **LONG-TERM DEBT (Continued)**

The long-term debt will mature according to the following schedule:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 33,208	\$ 24,042	\$ 57,250
2008	33,872	23,378	57,250
2009	34,549	22,701	57,250
2010	35,240	22,010	57,250
2011	35,945	21,305	57,250
2012 - 2016	734,285	80,765	815,050
2017 - 2018	294,933	7,814	302,747
	<u>\$ 1,202,032</u>	<u>\$ 202,015</u>	<u>\$ 1,404,047</u>

During 2003, the District borrowed \$2,030,000 from Zions First National Bank. The note (identified as Certificate of Participation Series 2003A) carries an interest rate ranging from 2.0% to 4.0% per annum with interest payable commencing February 1<sup>st</sup>, 2004 and on each February 1<sup>st</sup> and August 1<sup>st</sup>, thereafter until maturity. Principal payments on this bond issue began on August 1<sup>st</sup>, 2004 and will continue through August 1<sup>st</sup>, 2015.

The note will mature according to the following schedule:

<u>Date</u>	<u>Principal Due</u>	<u>Interest Charges</u>	<u>Principal and Interest</u>
February 1, 2007		\$ 12,395	\$ 12,395
August 1, 2007	\$ 81,000	12,395	93,395
February 1, 2008		11,281	11,281
August 1, 2008	83,000	11,281	94,281
February 1, 2009		10,036	10,036
August 1, 2009	86,000	10,036	96,036
February 1, 2010		8,660	8,660
August 1, 2010	88,000	8,660	96,660
February 1, 2011		7,142	7,142
August 1, 2011	91,000	7,142	98,142
2012-2015	304,000	21,718	325,718
	<u>\$ 733,000</u>	<u>\$ 120,746</u>	<u>\$ 853,746</u>

8. **LONG-TERM DEBT (Continued)**

Listed below is the change in long-term debt during the year ended December 31, 2006.

	Balance 12-31-05	Debt Retired	New Issues	Balance 12-31-06	Amt due in one year
<b>Governmental Activities:</b>					
<b>Bonds payable</b>					
DWR	\$ 1,234,590	\$ (32,558)		\$ 1,202,032	\$ 33,208
Series 2003A Note	812,000	(79,000)		733,000	81,000
	<u>\$ 2,046,590</u>	<u>\$ (111,558)</u>	<u>\$ ...</u>	<u>\$ 1,935,032</u>	<u>\$ 114,208</u>

9. **PENSION**

Grand County Water Conservancy District does not participate in a retirement program.

10. **PAYROLL EXPENSE**

Grand County Water Conservancy District did not have any payroll expense during the year ended December 31, 2006.

11. **CONTINGENT OBLIGATIONS**

Management, the Board of Directors and legal counsel for Grand County Water Conservancy District are aware of no litigation involving the District, either in progress or pending, which would materially affect the financial statements as of December 31, 2006, nor of any material contingencies not otherwise disclosed in the Notes to Financial Statements contained herein.

12. **RESERVED FUND BALANCE/NET ASSETS**

The designated fund balance, as shown on the balance sheet, has been set-aside for retirement of the District's bond payable.

13. **BUDGET CHANGES**

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget 12/07/06</u>
General	<u>\$ 166,780</u>	<u>\$ 171,180</u>

14. **BUDGETARY COMPLIANCE**

There were no unfavorable budget variances for the year ended December 31, 2006.

15. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these liabilities, the District has contracted with commercial insurance companies. The District pays an annual premium for this coverage.

16. **USE OF ESTIMATES**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**GRAND COUNTY WATER CONSERVANCY DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	GENERAL			
	ORIGINAL BUDGET	FINAL APPROPRIATED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>				
Taxes	\$ 85,280	\$ 85,280	\$ 91,024	\$ 5,744
Miscellaneous revenues	6,500	10,900	11,691	791
Total revenues	\$ 91,780	\$ 96,180	\$ 102,715	\$ 6,535
<b>EXPENDITURES:</b>				
Highways and public improvements		\$ 25		\$ 25
Debt service -				
Principal	\$ 111,558	111,558	\$ 111,558	
Interest and fees	51,417	51,417	51,417	
Total expenditures	\$ 162,975	\$ 163,000	\$ 162,975	\$ 25
Excess of revenues over (under) expenditures	\$ (71,195)	\$ (66,820)	\$ (60,260)	\$ 6,560
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other governments	\$ 75,000	\$ 75,000	\$ 75,000	
Total other financing sources (uses)	\$ 75,000	\$ 75,000	\$ 75,000	\$ ...
Excess of revenues and sources over (under) expenditures and uses	\$ 3,805	\$ 8,180	\$ 14,740	\$ 6,560
<b>FUND BALANCES, January 1</b>	301,208	301,208	301,208	
<b>FUND BALANCES, December 31</b>	\$ 305,013	\$ 309,388	\$ 315,948	\$ 6,560

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY WATER CONSERVANCY DISTRICT**  
**SCHEDULE OF INDEBTEDNESS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL DEBT SERVICE</u>
2007	\$ 114,208	\$ 48,832	\$ 163,040
2008	116,872	45,940	162,812
2009	120,549	42,773	163,322
2010	123,240	39,330	162,570
2011	126,945	35,589	162,534
2012	113,664	31,504	145,168
2013	268,987	27,473	296,460
2014	275,387	20,113	295,500
2015	184,855	13,585	198,440
2016	195,392	9,808	205,200
2017	199,300	5,900	205,200
2018	95,633	1,914	97,547
	<u>\$ 1,935,032</u>	<u>\$ 322,761</u>	<u>\$ 2,257,793</u>

**GRAND COUNTY WATER CONSERVANCY DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES/EXPENSES AND  
ADMINISTRATION COSTS - ALLOCATED FOR ALL DISTRICTS  
RECORDED IN THE GRAND WATER AND SEWER SERVICE AGENCY  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	GRAND WATER AND SEWER SERVICE AGENCY AUDIT TOTALS DECEMBER 31, 2006	GRAND COUNTY WATER CONSERVANCY DISTRICT - AUDIT AND ALLOCATED TOTALS DECEMBER 31, 2006	SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT - AUDIT AND ALLOCATED TOTALS DECEMBER 31, 2006	GRAND COUNTY SPECIAL SERVICE WATER DISTRICT - AUDIT AND ALLOCATED TOTALS DECEMBER 31, 2006
<b>Governmental Revenues:</b>				
Taxes		\$ 91,024	\$ 34,583	\$ 169,384
Interest income		11,691	14,944	17,885
<b>Total governmental revenues</b>	<b>\$ ...</b>	<b>\$ 102,715</b>	<b>\$ 49,527</b>	<b>\$ 187,269</b>
<b>Operating Revenues: (allocated to Districts)</b>				
Water fees	\$ 482,808	\$ 131,374	\$ 351,434	
Sewer fees	478,175		478,175	
Impact fees	123,157		123,157	
Other fees	24,124	447	23,677	
Irrigation fees	109,733	109,733		
<b>Total operating revenues</b>	<b>\$ 1,217,997</b>	<b>\$ 241,554</b>	<b>\$ 976,443</b>	<b>\$ ...</b>
<b>Total all revenues</b>	<b>\$ 1,217,997</b>	<b>\$ 344,269</b>	<b>\$ 1,025,970</b>	<b>\$ 187,269</b>
<b>Governmental expenditures:</b>				
Highways and public improvements			\$ 5	
Debt service--				
Principal		\$ 111,558	303,701	\$ 114,511
Interest and fees		51,417	60,949	46,279
<b>Total governmental expenditures</b>	<b>\$ ...</b>	<b>\$ 162,975</b>	<b>\$ 364,655</b>	<b>\$ 160,790</b>
<b>Operating Expenses: (allocated to Districts)</b>				
Administrative costs allocation (net of interest income - \$59,640)	\$ 316,738	\$ 41,346	\$ 275,392	
Water commissioner	3,958	3,958		
Sewer treatment	131,696		131,696	
Water assessments and purchases	32,152	32,152		
Repairs and maintenance	300,522	59,766	240,756	
Billing expense	5,657	566	5,091	
Rent	7,161	716	6,445	
<b>Total operating expenses</b>	<b>\$ 797,884</b>	<b>\$ 138,504</b>	<b>\$ 659,380</b>	<b>\$ ...</b>
<b>Total all expenditures/expenses</b>	<b>\$ 797,884</b>	<b>\$ 301,479</b>	<b>\$ 1,024,035</b>	<b>\$ 160,790</b>

**GRAND COUNTY WATER CONSERVANCY DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
ADMINISTRATION COSTS FOR ALL DISTRICTS  
RECORDED IN THE GRAND WATER AND SEWER SERVICE AGENCY  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	GRAND WATER AND SEWER SERVICE AGENCY TOTALS DECEMBER 31, 2006	GRAND COUNTY WATER CONSERVANCY DISTRICT TOTALS DECEMBER 31, 2006	SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT TOTALS DECEMBER 31, 2006	GRAND COUNTY SPECIAL SERVICE WATER DISTRICT TOTALS DECEMBER 31, 2006
Excess of all revenues over (under) all expenditures/expenses	\$ 420,113	\$ 42,790	\$ 1,935	\$ 26,479
Non-operating Revenues (Expenses) (Agency amounts allocated to Districts)				
Miscellaneous revenue	\$ 1,410		\$ 1,410	
Connection fees	37,985		37,985	
Transfer to Water & Sewer Agency	83,815	\$ (17,260)	(66,555)	\$ (17,260)
Transfer to Water Conservancy District	(75,000)	75,000		
Transfer to Spanish Valley W & S	(274,158)		274,158	
Total non-operating revenues (expenses)	\$ (225,948)	\$ 57,740	\$ 246,998	\$ (17,260)
Net income/(loss)	\$ 194,165	\$ 100,530	\$ 248,933	\$ 9,219
Allocation of Grand Water & Sewer Service Agency net income (loss) *	\$ 194,165	\$ 45,310	\$ 148,855	
Net income/(loss) current year	\$ ...	\$ 145,840	\$ 397,788	\$ 9,219
* Calculation of allocated Net income/(loss) of Grand Water & Sewer Service Agency				
Total operating revenues		\$ 241,554	\$ 976,443	
Total operating expenses		(138,504)	(659,380)	
Net operating income/(loss)		\$ 103,050	\$ 317,063	
Non-operating revenues/(expenses)				
Miscellaneous revenue			\$ 1,410	
Connection Fees			37,985	
Transfer from/(to)		\$ (57,740)	(207,603)	
Total non-operating revenues/(expenses)		\$ (57,740)	\$ (168,208)	
Net income/(loss)		\$ 45,310	\$ 148,855	

Note: This schedule is for analysis of funds available in the Grand Water & Sewer Service Agency that pertain to Grand County Water Conservancy District, Spanish Valley Water & Sewer Improvement District and Grand County Special Service Water District. Financial information does not necessarily reflect the revenues and expenditures/expenses reported in their individual reports.

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MEMBERS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Grand County Water Conservancy District  
Moab, Utah 84532

RE: Report on Compliance and Other Matters and on  
Internal Control Over Financial Reporting Based  
on an Audit of Financial Statements Performed in  
Accordance with Government Auditing  
Standards

We have audited the financial statements of the governmental activities of Grand County Water Conservancy District, as of and for the year ended December 31, 2006, and have issued our report thereon dated March 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of the operating committee, management, others within the organization, board of directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smuin, Rich & Marsing", written in dark ink.

Price, Utah

March 6, 2007

**SMUIN, RICH & MARSING**

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Board of Directors  
Grand County Water Conservancy District  
Moab, Utah 84532

RE: Report on Legal Compliance with  
Applicable Utah State Laws  
and Regulations

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities of Grand County Water Conservancy District, for the year ended December 31, 2006, and have issued our report thereon dated March 6, 2007. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Truth in Taxation &
Cash Management	Property Tax Limitations
Purchasing Requirements	Special Districts
Budgetary Compliance	Other Compliance Requirements

The District did not receive any major or nonmajor State grants during the year ended December 31, 2006.

The management of Grand County Water Conservancy District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Grand County Water Conservancy District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

SMUIN, RICH & MARSING

*Smuin, Rich & Marsing*

Price, Utah

March 6, 2007